

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Strickland Analyst: LuAnna Hass Bill Number: AB 385
Related Bills: See Legislative History Telephone: 845-7478 Introduced Date: 02-20-2001
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: HRA/Property Value Adjustment/Increase From \$34,000 to \$47,600 & Property Tax From \$250 to \$350

SUMMARY

This bill would increase the maximum property value and property tax equivalent under the Homeowners and Renters Assistance (HRA) program. This bill also would increase the household income amounts used to determine eligibility and the amount of assistance.

PURPOSE OF THE BILL

It appears the purpose of this bill is to make more people eligible for the HRA program.

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2002, and operative for claims filed for the 2002 claim year. However, the bill specifies that the increase to household income amounts would occur for the 2001 claim year.

POSITION

Pending.

Summary of Amendments

Amendments 1 through 4 are provided to resolve the department's implementation concern regarding the operative dates.

ANALYSIS

STATE LAW

Existing state law authorizes the Franchise Tax Board (FTB) to administer and enforce the personal income tax and the corporation franchise and income tax laws. State law also authorizes FTB to administer several non-tax programs, one of which is the HRA program.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Department Director

Date

Alan Hunter for GHG

03/30/01

For HRA claimants, existing state law provides partial reimbursement of the previous fiscal year's property taxes on a personal residence paid directly by a homeowner and indirectly by a renter. Relief for homeowners and renters is based on a percentage of the amount of property tax paid in a given year. A renter is deemed to have paid \$250 in property tax each year. For purposes of the homeowner assistance calculation, the maximum homeowners property value is \$34,000. The percentage on which the reimbursement amount is based varies inversely with the applicant's income level and ranges from 4% to 96%.

To be eligible for assistance, the claimant's total household income for the prior calendar year cannot exceed an inflation-adjusted maximum amount (\$35,251 for calendar year 2001). Total household income consists of adjusted gross income (as computed for tax purposes) increased by income that is nontaxable for California tax purposes. Also, the gross household income cannot exceed a maximum amount, as adjusted for inflation (\$64,093 for 2001). Gross household income is total household income plus all non-cash business expenses such as depreciation, amortization, and depletion.

Claimants may file for assistance from July 1st through October 15th, inclusive. However, FTB may accept claims through June 30th of the year following the year for which assistance is claimed.

THIS BILL

This bill would increase the renters property tax equivalent from \$250 to \$350 and increase the property value amount used to calculate benefits for the homeowners assistance from \$34,000 to \$47,600 effective January 1, **2002**.

This bill would require that all income levels eligible for homeowners and renters assistance under current law be multiplied by 3.03 for assistance provided for the **2001** calendar year, making the maximum total household income eligible for assistance \$39,996. The bill would then require annual increases thereafter to reflect inflation.

It is the author's intent that all provisions of this bill be operative January 1, 2002. The maximum homeowners assistance would be increased from \$326.40 to \$456.96 and the maximum renters assistance credit would be increased from \$240 to \$336. These amounts are calculated as follows for the 2002 calendar year for income received during 2001 and property taxes paid for the 2001/2002 fiscal year:

For homeowners assistance, the maximum assistance would be \$47,600 (maximum property value) x 1% (property tax rate) x 96% (percentage of tax) = \$456.96

For renters assistance, the maximum assistance would be calculated as \$350 (property tax equivalent) x 96% (percentage of statutory property tax equivalent) = \$336.

IMPLEMENTATION CONSIDERATIONS

This bill specifies that the increase in the income levels for homeowners and renters assistance would be operative with respect to assistance for the 2001 calendar year. The provision relating to the increase in the maximum property value and property tax equivalent does not specify an operative date; therefore, those revisions would not be operative until January 1, 2002.

The author's staff has indicated that it was the intent that all provisions of the bill be operative January 1, 2002. Amendments 1 through 4 are provided to correct the operative dates.

Once the bill is amended, implementing this bill would not significantly impact the department's programs and operations.

LEGISLATIVE HISTORY

SB 1664 (Karnette, Stats. 2000, Ch. 60) provided a one-time 150% increase for claims filed for the 2000 year and changed the filing dates to submit claims. AB 1636 (Mazzoni, Stats. 1999, Ch. 928) provided that the term "residential dwelling" be expanded to include houseboats and floating homes. SB 1464 (Brulte, 1997/98) proposed increasing the income limits for the homeowners and renters assistance program to properly reflect inflation. This bill remained in Assembly Appropriations, but identical language was enacted in the 1998 Budget Bill, AB 2797 (Machado, Stats. 1998, Ch. 322).

PROGRAM BACKGROUND

The program currently referred to as HRA began in 1968, initially providing relief to senior citizens in the form of property tax assistance. In 1977 the program was extended to renters. Beginning in 1979, totally disabled homeowners and renters, regardless of age, became eligible for the program.

OTHER STATES' INFORMATION

Colorado residents that meet certain qualifications are eligible for a grant equal to the amount of the property taxes paid on a residence or mobile home. These qualifications include:

- the taxpayer must be at least 65 years of age or disabled,
- is not claimed as a dependency exemption by another person for Colorado income tax purposes, and
- has income from all sources for the taxable year of less than \$11,000 if single, or in the case of a husband and wife, less than \$14,700.

Minnesota provides a property tax refund, regardless of age, to homeowners and renters whose property taxes are disproportionately high in comparison with their income. If the property tax exceeds an income percentage threshold, a refund is issued that is equal to a percentage of the tax over that threshold.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

Impact Estimate

Based on data and assumptions discussed below, additional HRA assistance payments are projected to be as follows:

Estimated Impact of AB 385 As Introduced February 20, 2001 Additional Assistance Payments (In \$Millions)			
Claim Period	2002-3	2003-4	2004-5
Homeowners	-\$16.3	-\$17.7	-\$18.0
Renters	-\$55.5	-\$64.9	-\$75.1
T o t a l	-\$72	-\$83	-\$93

Any possible changes in employment, personal income, or gross state product that might result from this provision are not taken into account.

Impact Discussion

According to Departmental data it is estimated that for the Program year 2000-01, assistance would be provided to 160,000 homeowners on the order of \$60 million and over \$258 million would be distributed to approximately 490,000 qualified renters.

Estimates above were based on current filers by income class and additional filers due to normal growth and an incentive effect for first-time filers. It was assumed that the new limits for assistance would be applied to property tax assessed for fiscal year 2001-2 and household income for the 2001 calendar year.

LEGISLATIVE STAFF CONTACT

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 385
As Introduced February 20, 2001

AMENDMENT 1

On page 6, line 9, strikeout "2001" and insert:

2002

AMENDMENT 2

On page 6, line 13, strikeout "2002" and insert:

2003

AMENDMENT 3

On page 9, line 15, strikeout "2001" and insert:

2002

AMENDMENT 4

On page 9, line 19, strikeout "2002" and insert:

2003